

Message Text

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W
-----073263 120810Z /12

R 111845Z AUG 78
FM AMEMBASSY BOGOTA
TO SECSTATE WASHDC 9454
TREASURY WASHDC
INFO AMEMBASSY CARACAS
AMEMBASSY SANTO DOMINGO

C O N F I D E N T I A L SECTION 1 OF 2 BOGOTA 7549

EXDIS

TREASURY FOR SECY BLUMENTHAL ONLY

ARA FOR ASST SECY VAKY ONLY

E.O. 11652: GDS
TAGS: PDIP, VE, CO
SUBJECT: TREASURY SECRETARY BLUMENTHAL AND ARA'S ASSISTANT
SECRETARY VAKY MEETI WITH VENEZUELAN PRESIDENT
PEREZ IN BOGOTA

REF: BOGOTA 7383 NOTAL

1. SUMMARY. IN ADDITION TO TOPICS DISCUSSED REFTEL, SECY
BLUMENTHAL AND ASST VAKY ALSO DISCUSSED ECONOMIC ISSUES
WITH VENEZUELAN PRESIDENT PEREZ DURING THEIR VISIT TO BOGOTA.
SUBJECTS INCLUDED WERE: THE BONN SUMMIT, NORTH-SOUTH ECON-
OMIC RELATIONS, AND PROBLEMS IN THE CARIBBEAN. END SUMMARY.

2. TREASURY SECRETARY BLUMENTHAL AND ARA'S ASST SECY VAKY
MET WITH VENEZUELAN PRESIDENT CARLOS ANDRES PEREZ (CAP AND THE
LATTER'S FINANCE AND FOREIGN MINISTERS IN BOGOTA ON AUGUST
7 BEFORE THE INAUGURATION OF THE NEW COLOMXIAN PRESIDENT.
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THEIR CONSIDERATION OF THE ELECTORAL SITUATIONS IN ECUADOR
AND BILIVIA (REFTEL) WAS PRECEDED BY A DISCUSSION OF ECONOMIC
ISSUES.

3. SECRETARY BLUMENTHAL BEGAN BY OFFERING WARM GREETINGS
FROM PRESIDENT CARTER WHO HAD ASKED THAT THE SECRETARY BRIEF
CAP ON THE BONN SUMMIT. THE SECRETARY NOTED THE SUMMIT'S

RECOGNITION OF THE NEED FOR ACCELERATED ECONOMIC GROWTH, ESPECIALLY IN GERMANY AND JAPAN, FOR STABILIZING THE DOLLAR, AND FOR CONTINUING TO WORK HARD--INCLUDING IN THE GENEVA TRADE NEGOTIATIONS--AGAINST PROTECTIONISM. HE EMPHASIZED THE SUMMIT MEMBERS' INTEREST IN NORTH-SOUTH TRADE AND THE RESULTING DECISION TO RENEW SPECIAL EFFORTS REGARDING COMMODITY AGREEMENTS AS THEY RELATE TO THE COMMON FUND (CF). REGARDING AID TO DEVELOPING COUNTRIES, THE SECRETARY SAID THAT SUCH ASSISTANCE SHOULD BE INCREASED, FOCUSSED ON ENERGY RESOURCES AND BASIC HUMAN NEEDS, AND CHANNLED PRIMARILY TO THE POOREST DEVELOPING COUNTRIES. HE MADE FURTHER REFERENCE TO THE NEED TO COOPERATE ON STABILIZING THE DOLLAR, ADDING THAT FOR THE U.S., THE PRINCIPAL CONCERNS WERE WITH REDUCING ENERGY IMPORTS AND ENACTING AN ENERGY LAW, AND FIGHTING INFLATION. IN GENERAL, HE NOTED, THE SUMMIT WAS USEFUL AND CONSTRUCTIVE, AND THE PARTICIPANTS HAD AGREED TO KEEP IN CONTACT IN ORDER TO REVIEW PAST PROGRESS AND WORK TOWARD NEW COMMITMENTS.

4. CAP RESPONDED THAT HE HAD READ THE SUMMARY OF THE SUMMIT WITH INTEREST, ADDING THAT WHAT HAPPENS IN DEVELOPING COUNTRIES AFFECTS US ALL. HE LAMENTED, HOWEVER, THAT NO REAL ADVANCE SEEMED TO HAVE BEEN MADE IN THE NORTH-SOUTH DIALOGUE AND THAT WE SEEMED TO BE STUCK IN THE SAME ARGUMENTS AS ALWAYS. IN HIS OPINION, THE DC'S WERE ONLY OFFERING "SUGAR WATER" TO THE LDC'S.

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5. THE SECRETARY ANSWERED THAT IN SUCH A BRIEF SUMMIT, ONE COULD NOT EXPECT MANY CONCRETE, UNILATERAL DECISIONS, WHICH COULD BEST BE WORKED OUT THROUGH NEGOTIATIONS WITH THE DEVELOPING COUNTRIES THEMSELVES. OF IMPORTANCE, HE SAID, WAS THE SUMMIT MEMBERS'S AGREEMENT TO MAKE AN EFFORT AND TO NEGOTIATE FLEXIBLY WITH THE LDC'S. HE ADDED THAT THE GENEVA TALKS SHOULD TAKE IN TO CONSIDERATION THE DEVELOPING COUNTRIES' NEEDS FOR SPECIAL TRADE RELATIONSHIPS AND PREFERENTIAL TREATMENT.

6. CAP SAID THAT HE DIDN'T EXPECT MANY CONCRETE SOLUTIONS AFFECTING NORTH-SOUTH RELATIONS FROM THE BONN SUMMIT. IN HIS OPINION, PRESIDENT CARTER HAS GONE FURTHER TOWARD SOLVING THIRD WORLD PROBLEMS THAN HIS PREDECESSORS, BUT HE (CAP) WAS CONCERNED BY THE ATTITUDE OF THE GERMANS. HE ALLOWED, HOWEVER, THAT CHANCELLOR SCHMIDT'S HEART WAS NOT SO HARD AFTER ALL, CITING AS EVIDENCE GERMANY'S RECENT, LARGE (15 MILLION MARKS?) CONTRIBUTION TO CARIBBEAN DEVELOPMENT. CAP MAINTAINED THAT THE MAJOR PROBLEMS IN THIS REGARD AT PRESENT INCLUDED THE STABILITY OF THE DOLLAR, THE POSITION OF THE U.S. CONGRESS REGARDING CONTRIBUTIONS TO MULTI-LATERAL FUNDS, AND COMMODITY PRICES, ESPECIALLY FOR SUGAR AND COFFEE.

7. SECRETARY BLUMENTHAL REMINDED CAP OF PRESIDENT CARTER'S DESIRE TO HOLD NEGOTIATIONS ON SUCH MATTERS IN A CALM MANNER WHICH WOULD NOT ANTAGONIZE THE U.S. CONGRESS. AS AN EXAMPLE, THE SECRETARY CITED THE USG'S SUPPORT FOR A COFFEE AGREEMENT, BUT NOTED THAT WHEN THE PRICE OF COFFEE ROSE SHARPLY RECENTLY, THE PRODUCING COUNTRIES DID NOTHING TO RESTRAIN PRICES. IT WOULD BE VERY DIFFICULT, HE SAID, TO ASK CONGRESS TO MAINTAIN HIGH COFFEE PRICES IN VIEW OF THIS LACK OF RESTRAINT.

8. CAP ADMITTED THAT THIS WAS AN ERROR ON THE PART OF THE PRODUCING COUNTRIES, BUT THAT OF GREATEST IMPORTANCE WAS THE AVOIDANCE OF WIDE PRICE FLUCTUATIONS. ALTHOUGH COFFEE DIDN'T

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DIRECTLY INVOLVE THE VENEZUELAN ECONOMY, IT HAD A GREAT EFFECT ON COLOMBIA AND CENTRAL AMERICA WHICH, IN TURN, AFFECTED VENEZUELA. CAP THEN MENTIONED AN IDEA WHICH HE HAD DISCUSSED IN VENEZUELA WITH THEN-AMBASSADOR VAKY, REGARDING PERSONAL EXCHANGES BETWEEN MEMBERS OF THE VENEZUELAN AND U.S. CONGRESSES. HE HAD NOTICED THAT DURING THE PANAM CANAL NEGOTIATIONS, MANY INTELLIGENT U.S. LEGISLATORS WHO VISITED CARACAS SEEMED UNINFORMED ABOUT MANY ASPECTS OF LATIN AMERICA SECRETARY BLUMENTHAL AGREED THAT SUCH EXCHANGES WOULD BE GOOD IDEA.

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ACTION SS-25

INFO OCT-01 ISO-00 SSO-00 /026 W

-----073281 120808Z /15

R 111845Z AUG 78

FM AMEMBASY BOGOTA

TO SECSTATE WASHDC 9455

TREASURY WASHDC

INFO AMEMBASSY CARACAS

AMEMBASSY SANTO DOMINGO

C O N F I D E N T I A L SECTION 2 OF 2 BOGOTA 7549

EXDIS

TREASURY FOR SECY BLUMENTHAL ONLY

ARA FOR ASST SECY VAKY ONLY

9. CAP THEN TURNED TO CARIBBEAN PROBLEMS AND WARNED OF THE DANGERS WHICH LOW SUGAR PRICES POSED FOR THE NEW GOVERNMENT IN SANTO DOMINGO. THE SECRETARY NOTED CAP'S INTEREST IN THE CARIBBEAN AND ASKED WHETHER VENEZUELA WOULD MAINTAIN ITS COMMITMENT TO THE CARIBBEAN DEVELOPMENT FUND EVEN IF THE 300 MILLION US DOLLARS TOTAL IN CONTRIBUTION WAS NOT REACHED. CAP AVOIDED A DIRECT ANSWER, CITING DOMESTIC POLITICAL PROBLEMS (THE UPCOMING ELECTIONS) AND THE NEGATIVE ADVICE OF HIS ECONOMIC ADVISORS. THE SECRETARY RESPONDED THAT, AS A STUDENT OF ECONOMICS, HE HAD LEARNED NOT TO TRUST THE ADVICE OF ECONOMISTS. CAP PREDICTED THAT THE CARIBBEAN WOULD POSE THE GREATEST PROBLEM FOR THE U.S. AND VENEZUELA IN THE FUTURE AND URGED A LARGER FUND FOR THE AREA'S DEVELOPMENT. IN RESPONSE TO ASST SECY VAKY'S INQUIRY AS TO WHETHER VENEZUELA WOULD PROVIDE GREATER ASSISTANCE TO THE CARIBBEAN, INCLUDING THE DOMINICAN REPUBLIC (WITH WHICH CAP SEEMED ESPECIALLY CONCERNED), THE VENEZUELAN LEADER SAID THAT SUCH A MOVE WOULD BE STUDIED AND THAT HIS GOVERNMENT WAS ALREADY CONFIDENTIAL

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PROVIDING ASPHALT FOR SANTO DOMINGO'S STREETS -- AN INEXPENSIVE BUT SYMBOLIC AND IMMEDIATELY EFFECTIVE FORM OF SUPPORT FOR THE NEW GOVERNMENT THERE. HE ADDED THAT VENEZUELA WAS ALSO BUYING DOMINICAN SUGAR AT HIGH PRICES, REITERATING HIS CONCERN FOR THE DR'S NEW GOVERNMENT. WHEN CAP RAISED THE AFRICAN SWINE-FEVER PROBLEM PRESENTLY AFFLICTING THE CARIBBEAN, ASST SECY VAKY EXPRESSED THE USG'S CONCERN AND TOLD CAP OF CURRENT TECHNICAL MEETINGS, INCLUDING THE CUBANS, AIMED AT SOLVING THE PROBLEM. SECRETARY BLUMENTHAL THEN REACTED FAVORABLY TO CAP'S PROPOSAL FOR A US-VENEZUELAN MEETING ON PROBLEMS IN THE DR BEFORE THE CONVERSATION TURNED TO ECUADOR AND BOLIVIA (REFTEL).

10. WE UNDERSTAND TREASURY MIGHT WISH TO ISSUE AN ALTERED VERSION OF THIS MESSAGE AFTER REVIEWING ITS TRANSCRIPT.
ASENCIO

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Draft Date: 11 aug 1978
Decaption Date: 20 Mar 2014
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BOGOTA07549
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780330-0151
Format: TEL
From: BOGOTA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780871/aaaacgwt.tel
Line Count: 216
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Litigation History:
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Message ID: 8cc88264-c288-dd11-92da-001cc4696bcc
Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: 78 BOGOTA 7383
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 05 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1760170
Secure: OPEN
Status: NATIVE
Subject: TREASURY SECRETARY BLUMENTHAL AND ARA'S ASSISTANT SECRETARY VAKY MEETI WITH VENEZUELAN PRESIDENT PEREZ IN BOGOTA
TAGS: PDIP, VE, CO, US, (BLUMENTHAL, W MICHAEL), (PEREZ, CARLOS ANDRES), (VAKY, VIRON P)
To: STATE TRSY
Type: TE
vdkgvkey: odbcr://SAS/SAS.dbo.SAS_Docs/8cc88264-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014